

Amartya Sen

# Perspectives on the Economic and Human Development of India and China

Edited by Stephan Klasen and Isabel Günther

On the occasion of the award of an  
Honorary Doctorate in Economics of  
the Georg-August-University Göttingen



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Amartya Sen

Amartya Sen is Lamont University Professor, and Professor of Economics and Philosophy, at Harvard University. He holds a Ph.D. from Cambridge, England and has held positions at the Delhi School of Economics, the London School of Economics, Oxford, Harvard, and Trinity College in Cambridge.

Amartya Sen's research ranges over a number of fields in economics and philosophy, including social choice theory, welfare economics, theory of measurement, development economics and moral and political philosophy. His books have been translated into more than thirty languages, and include *On Economic Inequality* (1973, 1997), *Poverty and Famines* (1981), *Choice, Welfare and Measurement* (1982), *Resources, Values and Development* (1984), *On Ethics and Economics* (1987), *The Standard of Living* (1987), *Development as Freedom* (1999) and *The Argumentative Indian* (2005) among others. In 1998 he was awarded the Nobel Memorial Prize in Economics.



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# Preface

Kurt von Figura

President, Georg-August-University Göttingen

In July 2005, the Faculty of Economics of the University of Göttingen awarded Amartya Sen with an honorary doctorate in economics in recognition of his outstanding contributions to the fields of welfare and development economics.

Amartya Sen's research has not only extended the theory and analysis of welfare, poverty, hunger and inequality, but has also greatly shaped international development policy concerning poverty reduction, the defeat of famines and hunger, the reduction of gender inequality and the measurement of human well-being. His work inspired the *Human Development Index* of the United Nations as well as the *Millenium Development Goals* agreed by the world community in 2000.

Amartya Sen is thus an eminent scientist known worldwide not only for his achievements in economic science, but also for his ability to transfer his thoughts into the public sphere – the latter without holding any official position within a governmental or non-governmental organization, but merely through the power of his written and spoken words.

By honouring Amartya Sen, the University of Göttingen has therefore reinforced its understanding of science as being essential for the development of societies – striving to promote research relevant to today's problems and to communicate its results to the public. It is also pleased that with honouring Amartya Sen, the first winner of a Nobel Prize in Economic Sciences will be affiliated with the University of Göttingen, joining some 44 Nobel Prize winners in other disciplines that did essential parts of their research in Göttingen.

Research on developing countries has a long history and tradition in Göttingen and is carried out in the faculties of economics, social sciences, and agriculture. Recently, the Economics Faculty has strengthened this emphasis on development economics and now hosts the largest university-based development economics research group in Germany. This research group has been greatly inspired by the work of Amartya Sen, not least due to the fact that the group is led by his former Ph.D. student, Stephan Klasen. Many of these are working on issues of poverty and inequality, hunger and undernutrition, gender bias in developing countries and the linkages between demographic and economic development, all topics where Amartya Sen made path-breaking contributions in the last decades.

While the primarily empirical research of the development economics research group in Göttingen has moved beyond Amartya Sen's theoretical work, it has been deeply informed by his ground-breaking conceptual work on the nature of well-being and poverty and his approach analyzing gender inequality. For the students of development economics at the University of Göttingen it was thus particular inspiring to once personally listen to and meet this outstanding scientist and public figure, who came to Göttingen to accept his honorary degree.

In his acceptance speech, Amartya Sen shared his thoughts on the Economic Development of India and China, which the University of Göttingen would now like to share with a wider audience. Amartya Sen certainly provides new perspectives enriching the current – and in the media almost daily – debate on the economic development of India and China and their impact on the rest of the world.

While current debates see these two rapidly growing economies mostly as an economic opportunity or, more often, as a competitive threat in domestic and world markets, they neglect a large share of the populations in both of these giant countries with together 2.5 billion people, that are little affected by these recent developments and continue to live in poverty. Of the slightly more than 1 billion people worldwide who subsist on less than 1 Dollar a day, 570 million alone live in India and China. Hence the economic development of India and China should also – if not first of all – be seen from the perspective of their poor.

Amartya Sen takes this perspective, and provides a snapshot of the different development paths these two countries have taken during the last two thousand years as seen from their citizens. He thus moves from an outside short-term perspective, which is usually taken in the public, to an inside long-term perspective. He furthermore puts an emphasis on

the long-standing interaction of the two societies, i.e. what they have learned from each other in the past and what they can and should learn from each other in the future.

To give some more insight into Amartya Sen's comprehensive comparative work on China and India, as well as to complement his speech, we include an additional former paper of Sen's in this publication. The piece of work is a more detailed and more quantitative analysis of the development of China and India in the 1980s and 1990s, with a specific focus on the differences in economic and human development of the two countries. It again emphasizes what India and China could learn from each other, this time particularly focusing on their respective human development achievements (and failures). The material has been reproduced from *India: Economic Development and Social Opportunity* (1995) and has been reprinted with the permission from Oxford University Press.

In the spirit of Amartya Sen, we hope that this publication contributes to the discussion of scientific work in public, and in particular to a better understanding of the recent developments in India and China.



# Laudatio

Stephan Klasen

Professor of Economics, Georg-August-University Göttingen

Honourable Ambassador Rangachari, Honorable Consul General Ray, Honorable Mayor of Göttingen, dear President of the University, dear Dean of the Faculty, dear Colleagues, students, and friends and last, but not least, dear Amartya, our guest of honor for tonight.

It is my honour and pleasure to introduce you as the recipient of the honorary doctorate of the economics and business administration faculty at the University of Göttingen. Given your accomplishments, it is very easy to motivate granting an honorary degree to you. Since so many speeches have been given in your honour by people who are much better equipped than I, it is much harder, however, to say something original. Rather than providing a thorough review of your many accomplishments as an economist, a philosopher, a historian of ideas, and a public figure, I want to very briefly review the most important stations in your career and then focus on your work in the field of development economics where, I believe, your work has been of fundamental importance both to the discipline of development economics as well as the practise of development policy. If you permit, I will do so referring to you in the third person.

1

Amartya Sen was born in India in 1933, then still a British colony. He studied economics at Presidency College in Calcutta, Trinity College (which is part of Cambridge University) and held positions at Delhi University (Delhi School of Economics), London School of Economics (LSE),

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Oxford, Harvard, and Cambridge University, with visiting positions at Massachusetts Institute of Technology (MIT), Stanford, Berkeley and Cornell. Currently he is Lamont University Professor in the Economics and the Philosophy Department at Harvard University.

Within the economics profession, he is widely known for his seminal contributions to social choice theory, a discipline within economics concerned with welfare evaluations as well as collective choice. In addition, he made path-breaking contributions to inequality and poverty measurement and evaluation, to the study of gender bias, to a critique of utilitarianism as the main welfare criterion within economics, and to the analysis of famines and hunger. Within the philosophy profession, he is particularly famous for his work on moral philosophy, particularly his capability approach, as well as his work on the concept of rationality. All of these contributions are of particular relevance to development economics and, as a development economist, I would like to focus on how his many contributions have shaped development economics and policy.

## 2

His first contributions to development economics were in his Ph.D. dissertation on the ‘Choice of Techniques’ where he investigated how social planners should promote economic development through appropriate technological choices. As he states in his autobiographical note for the Nobel Prize, the ‘problem’ of his Ph.D. dissertation was that it was ready two years ahead of time and, given Cambridge’s rule of being a Ph.D. student for at least 3 years, he needed to wait for two years until he could submit it; time he used to return to India and work on social choice issues. (Few Ph.D. students, including myself, have suffered from such problems, and I encourage all our Ph.D. students in Göttingen to suffer from this problem). Related to this work he later produced a rather famous book with Stephen Marglin and Partha Dasgupta for UNIDO called ‘Guidelines for Project Evaluation’, which was also very much concerned with planning for economic development.

A second major strand of his work in development economics is concerned with the causation and prevention of famines (Sen, 1981 and 1989). His entitlement approach to the causes of famines shifts attention from the availability of food as the main predictor of famines, to the entitlements individuals have (through their endowments and the prices



of these endowments relative to food prices). This way he is able to understand famines even in situations where average food availability is adequate, such as the Great Bengal Famine of 1943 which killed about 3 million people, and which he had experienced himself as a child (although he was not directly affected). His approach is also able to predict which groups of the population are likely to suffer in a famine.

The policy implication of this entitlement approach is to ensure that entitlements of the poor are to be protected and enhanced when famine threatens (through cash handouts, public works, or an increase of the supply of food to lower food prices). This policy response has become standard practise in combating famines across the world. This approach to preventing famines has also been the method of choice in India in the last few decades. In addition, Sen also showed that India's free press and adversarial politics have also helped as they have forced politicians to confront the threat of famines. The combination of an open democratic system and an appropriate policy response (based on the entitlement approach) has ensured that India has not experienced a major famine since independence (although it has been much less successful in combating the more widespread problem of endemic undernutrition). In this context, there is also a direct connection between the entitlement approach of Sen and the current debates within India about an Employment Guarantee Scheme for all, which is being implemented (though in a watered down version ) by the current Indian Government. Jean Drèze, a co-author of Sen in his work on famines and hunger, is the economist and political activist who promotes this scheme as a way to reduce poverty and endemic malnutrition sustainably across India.

A third major strand of Sen's work related to development economics concerns welfare economics, including the measurement of inequality, including gender inequality, as well as poverty and well-being. This work was informed by his long-standing research on social choice theory where it became clear to him that one needed to broaden the informational base upon which to make welfare judgements and where he decided to move from pure theory to more practical applications. He created a new welfare measure, now called the Sen Index, which combines average income with a measure of inequality to arrive at a more comprehensive assessment of well-being (Sen, 1982a). This index continues to be of great interest today.

I have applied it in various contexts recently and showed, for example, that the rising inequality in the USA in the 1980s more than negated the

positive welfare impact of income growth there (Klasen, 1994; Grün and Klasen 2003). Similarly, because of the drastically rising inequality in transition countries, the Sen index continues to suggest that economic well-being in most of these countries is still below the levels in 1990 at the start of the transition process, despite the respectable growth in many of these countries in recent years (Grün and Klasen, 2001). Similarly, he created a measure, which is referred to in the literature as the Sen poverty index, where he was among the first to consider the depth of poverty and the distribution of incomes among the poor.

His work on gender inequality points to the gross inequalities in survival and well-being in many countries and his concept of the ‘missing women’ in South Asia, China, and the Middle East has focused attention in the literature but also among development practitioners on this issue. It is also an area of great research interest here in Göttingen and we are particularly glad for his path-breaking work on this issue.

### 3

Most influential, at least from a development policy point of view, has been his work on the capability approach to well-being. Instead of viewing development as synonymous to high incomes and low income poverty, he argues that development is about ‘expanding real freedoms that people enjoy’ (Sen, 1999). Capabilities refer to the freedom to live a life that allows us to be healthy, well-educated, well-nourished, adequately housed and clothed, and integrated into the community, just to mention some of the basic freedoms we should enjoy. The strength of this approach, from both a conceptual as well as a policy point of view is manifold:

It acknowledges that well-being is an inherently multi-dimensional concept that cannot be reduced to wealth or incomes. Indeed incomes are often only insufficiently able to ensure many of these capabilities. Thus, it rightly focuses on development as an outcome rather than on incomes which is merely a means to achieve some desirable outcomes; at the same time, his focus on freedoms (rather than merely provision of some desirable outcomes) sees the process of choice as inherently valuable.

It acknowledges the inherent heterogeneity of people in their ability to translate incomes and opportunities into real freedoms; for example, the disabled person needs more resources to be integrated into the community,

the child with diarrhoea will need more calories to be nourished, etc. Hence, it incorporates an in-built relativity of what resources we need to achieve basic capabilities. For example, to be integrated into the community might require a bicycle in rural Bangladesh, but a car in rural America. To be adequately clothed is likely to depend on the climate as well as the accepted standard of a particular place and time.

It also avoids some perverse conclusions inherent in a pure income-based metric of well-being and poverty. After all, taking the income-based approach to well-being literally, the most sustainable way to reduce poverty and boost per capita incomes is to kill the poor; his approach is not suffering from the tendency to invite such ‘modest proposals’ (as Jonathan Swift’s suggestion in 1729 was entitled when he proposed to offer the babies of the poor as food to the rich as a way to overcome poverty in Ireland).

The impact of his work on the capability approach has been far-reaching. It formed the foundation of the major policy work at the United Nations Development Program on Human Development. Their annual *Human Development Reports* (UNDP, 2005) and the widely known Human Development Index (where, incidentally Germany does not do so well, mainly because of our low educational achievements) are directly derived from the capability approach. Similarly, this year’s *World Development Report* from the World Bank takes his approach to investigate issues of equity in development (World Bank, 2006). More importantly, the Millennium Development Goals, agreed to by over 150 heads of state and government in the year 2000 are directly derived from Sen’s capability approach as the goals take a comprehensive view of development that includes reduced income poverty, universal education for all (for both genders) and better health for all as separate goals. Currently, the G8 are deliberating in Gleanegles in Scotland to drastically increase development aid in order to accelerate progress in meeting the Millennium Development Goals. Without his work, we would not be at this stage in development policy where the rich world is, for the first time, deliberating how to increase their contributions to sustainably improve well-being broadly conceived in developing countries.

The impact of the capability approach has also been felt in Europe. This year, the German government chose Sen’s capability approach as the conceptual foundation for its annual wealth and poverty report, a copy of which we will hand over after the ceremony. A new scientific association, the *Human Development and Capability Association*, is pur-

suing a research agenda to broaden and apply his conceptual framework to the understanding of poverty, inequality, and well-being in poor and rich countries alike.

## 4

The last major contribution of Sen in development economics and policy that I would like to highlight has been his policy work as an action-oriented researcher. He has long been a vocal advocate of improving basic education in India, where much work still remains to be done but much progress has been made due to his advocacy. He has railed against China's one-child policy as a form of unfreedom with terrible gender consequences, including the massive discrimination and death (mainly through sex-selective abortions) of females (Sen, 1992a). He has agitated against religious and sectarian violence in India (Sen, 2005). He has strongly countered claims by some of South East Asian authoritarian rulers that Asians do not value 'freedom' as much as people in the West and who therefore claim it is appropriate to curtail such freedoms for the benefit of economic development. In fact, he has shown that there is an intellectual tradition of public discussion, debate, and free speech that extends back thousands of years in Asian countries, thereby showing that curtailing freedoms is no more justified in Asia than anywhere else (Sen, 1999).

Quite clearly, development economics, development politics, and, I might say, the world at large, is a different place as a result of the intellectual contributions that Amartya Sen has made in the past four decades. Kofi Annan, the UN General Secretary, nicely summarized his contribution (and I quote):

The world's poor and dispossessed could have no more articulate and insightful a champion among economists than Amartya Sen. By showing the quality of our lives should not be measured by our wealth but by our freedoms, his writings have revolutionized the theory and practise of development.

Let me close on a more personal note. Amartya Sen came to Harvard as Lamont University Professor in 1987 when I also joined Harvard College as a first-year undergraduate. At the advice of my academic advisor, I took a class by Sen in my first term called ‘Hunger in the Modern World.’ His gift as a teacher as well as his passion for issues of poverty, inequality, and development was most exciting so that I immediately decided to focus my course work on development and poverty issues. That led to many further classes by Sen, both as an undergraduate, as well as a Ph.D. student. I was then fortunate enough to become his teaching and research assistant and I was able to then develop my dissertation on gender bias in mortality under his guidance. While he was already then extremely busy and an internationally known figure, he was a very thorough, always positive and extremely encouraging advisor. He was able to steer my work in directions that proved very fruitful and also was of great assistance in introducing me to development policy circles that I am still part of and greatly benefit from.

The work of our research group here in Göttingen, which focuses on issues of poverty, inequality, and gender bias, has been critically influenced by his path-breaking contributions. While I have done this type of work also prior to coming here in other institutions, it is particularly noteworthy that the economics faculty here decided to make development one of its core research areas which also led me here 2 years ago. In addition, development and poverty issues are at the core of other research –groups in other faculties in Göttingen, including agricultural economics, law, and sociology, so that it is particularly fitting that we honour Amartya Sen as the development and welfare economist that has strongly shaped academic work within and outside of economics here in Göttingen.



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On July 7, 2005, the Faculty of Economics of the Georg-August-University of Göttingen awarded Nobel Prize winning economist Amartya Sen with an honorary doctorate in economics in recognition of his outstanding contributions to the fields of welfare and development economics.

On the occasion of the award, Amartya Sen shared his thoughts on the economic development of India and China, with a focus on the longstanding interaction of the two countries. The lecture is complemented by a previous publication of Jean Drèze and Amartya Sen on human development in India and China. This publication should greatly enrich the current debate on the economic development of India and China. Instead of viewing economic development in India and China mainly as a competitive threat, as is often done in Western media, he asks what these two large societies, comprising 40% of the world's population and more than half of the world's poor, have learnt and indeed can learn from each other in terms of improving the lives of their citizens.



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